

## Function 650: Social Security

Function 650 includes the two payroll tax-financed programs which collectively are known as “Social Security”: Old-Age and Survivors Insurance and Disability Insurance.

### Budget Summary

***Old-Age and Survivors Insurance (OASI)*** — Under current law, the Social Security Administration (SSA) will pay \$455 billion in retirement and survivors benefits to 40.3 million recipients in 2006. It will pay \$479 billion in retirement and survivors benefits to 40.8 million recipients in 2007. This spending is mandatory and off-budget.

***Disability Insurance (DI)*** — Under current law, SSA will pay \$90.6 billion in disability insurance benefits to 8.4 million recipients in 2006. It will pay \$97.5 billion in disability insurance benefits to 8.7 million recipients in 2007. This spending is mandatory and off-budget.

***Administrative Costs*** — SSA will spend \$4.6 billion to administer the OASI and DI programs in 2006. The Administration has requested \$4.7 billion for 2007, an increase of \$154 million, or 3.4 percent. This spending is discretionary, and virtually all of it is off-budget.

***Income*** — Under current law, income to the OASI and DI programs will be \$736 billion in 2006 and will be \$779 billion in 2007. Income from payroll taxes and interest from the Treasury is off-budget. Proceeds from taxation of benefits deposited into the trust funds are on-budget and are counted as mandatory spending. Under current law, proceeds from taxation of benefits will be \$16.4 billion in 2006 and \$18.3 in 2007.

### Budget Detail

***Social Security Private Accounts*** — Workers are allowed to divert payroll taxes into private accounts in exchange for reduced Social Security benefits when they retire. See *Social Security and Other Entitlements* for more detail.

***Elimination of Death Benefit*** — Dependent spouses or eligible children are entitled to a one-time lump-sum payment of \$255. This benefit has been part of the Social Security insurance package since 1950 and has been earned by workers through their payroll tax contributions. While the savings are modest, the proposal illustrates the Bush Administration’s willingness to cut guaranteed Social Security benefits, even those, quite literally, paid to widows and orphans. Elimination of such benefit saves \$989 million over five years.

***Enforcement of Windfall Elimination Provision/Government Pension Offset*** — Public sector workers who are not covered by Social Security are subject to offsets that are designed to prevent

them from earning higher overall benefits than if they had spent their entire careers covered by one system or the other. Tightening of the reporting requirements for such pensions beginning in 2010 would save \$427 million through 2011.

***Require Full-Time School Attendance at Age 16*** — Under current law, to remain eligible for benefits, 18-year-olds must be full-time secondary or elementary students. (Benefits stop upon reaching age 19 or completion of grade 12.) Making this provision apply to 16- and 17-year-olds would save \$559 million over five years.

***Replace DI/Worker's Comp Offset with Unified Offset*** — The budget changes the formula for how disability insurance and worker's compensation benefits are integrated. It saves \$228 million over five years.